

Application of Verizon Avenue Corp.

**Appendix K**

**Financial Statements**

Verizon Avenue Corp. is an indirect, wholly owned subsidiary of Verizon Communications Inc. Attached to this Appendix are unaudited Balance Sheets and Income Statements for calendar years 2001 and 2002, and for the period January through June 2003.

**Verizon Avenue**  
**Consolidating Income Statement**  
For the Twelve Months Ending December 31, 2001

**Verizon Avenue**  
**Consolidating Balance Sheet**  
For the Twelve Months Ending December 31, 2001

	<u>VZA</u> <u>Consolidated</u>
<b>REVENUES</b>	
Local	\$17,132,838.79
LD	\$15,865,614.02
Video	\$140,954.06
Internet	\$848,192.95
Affiliate Revenue	\$9,648,160.00
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Total Net Revenues	\$43,635,759.82
<b>RESELLING COSTS</b>	
Long Distance	\$9,929,489.05
Local	\$14,673,947.43
Cable	\$56,307.53
Network Connectivity	\$3,248,010.26
Internet Reselling Costs	\$60,151.75
Data Installs	\$1,613,924.77
Agent Commissions	\$460,688.99
Revenue Sharing	\$251,105.20
Developer Payments	\$12,433,572.21
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Total Reselling Expense	\$42,727,197.19
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Gross Margin	\$908,562.63
<b>General &amp; Administrative Expenses</b>	
Salaries & Wages	\$49,873,820.06
Payroll Taxes & Emp Benefits	\$8,169,557.87
Temporary Employees	\$2,236,553.64
Other Employee Costs	\$2,886,572.78
Travel & Entertainment	\$2,796,353.75
Office Rel & Office Supplies	\$1,237,846.14
Insurance	\$503,577.24
Telephone, Cellular, Pager	\$1,835,013.35
Field Operations	\$716,433.96
Bldg & Equip Rent Exp	\$7,998,452.18
Professional & Consulting	\$1,427,417.01
Legal	\$324,466.26
Marketing & Promotions	\$4,622,513.47
Systems - Recurring	\$7,121,675.95
Systems - Devlpmt	\$2,026,936.84
Other Expenses	(\$12,631,082.48)
Bad Debt	\$6,586,450.20
Affiliate Charges	\$0.00
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Total SG&A	\$87,732,558.22
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EBITDA	(\$86,823,995.59)
Interest Expense	\$23,568,645.85
Interest Income	\$421,999.74
Depreciation Expense	\$7,225,496.13
Amortization Expense	\$13,448,060.00
Gains & Losses	(\$2,563,409.64)
Income Taxes	(\$41,915,841.61)
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NET INCOME	(\$91,291,765.86)
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	<u>VZA</u> <u>Consolidated</u>
<b>ASSETS</b>	
Cash	\$1,236,323
Short-term Marketable Securities	\$7,584,023
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Cash and Cash-like Instruments	\$8,820,346
Affiliate Receivable	\$3,074,137
Other Receivable	\$5,865,891
Trade Receivable	\$1,959,416
Allowance for Uncollectible Accounts	(\$1,676,255)
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Accounts Receivable - Net	\$9,223,189
Prepaid Expenses	\$8,019,323
Inventory	\$57,085
Current Deferred Federal Tax Benefit	\$20,008,938
Total Current Assets	\$46,128,881
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Property, Plant & Equipment	\$95,383,404
Accumulated Depreciation	(\$11,367,401)
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Net Property, Plant & Equipment	\$84,016,003
Investment in Affiliated Subs	\$0
Intangible Assets	\$276,981,817
Accumulated Amortization	(\$14,361,650)
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Other Assets	\$8,556,329
Deposits	\$406,545
Deferred Tax Asset	\$53,447,649
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Total Assets	\$455,175,574
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<b>Liabilities &amp; Stockholder's Equity</b>	
Affiliate Payable	\$1,399,498
Accounts Payable	\$12,007,125
Debt - Current	\$1,145,860
Accrued Liabilities	\$33,347,304
Other Current Liabilities	\$2,477,940
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Total Current Liabilities	\$50,377,727
Long Term Debt	\$462,463,701
Other Deferred Obligations	\$1,404,847
Common Stock	\$0
Preferred Stock	\$0
Additional Paid-In-Capital	\$37,500,025
Retained Earnings	(\$5,278,837)
Net Profit/(Loss)	(\$91,291,766)
Comprehensive Income - Unrealized Gain/Loss	(\$123)
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Total Liabilities & Stockholder's Equity	\$455,175,574
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**Verizon Avenue**  
**Income Statement**  
For the Twelve Months Ending December 31, 2002

**Verizon Avenue**  
**Balance Sheet**  
For the Twelve Months Ending December 31, 2002

	<u>VZA</u> <u>Consolidated</u>
<b>REVENUES</b>	
Local	\$9,761,898.74
LD	\$2,691,760.56
Video	
Internet	\$5,337,290.13
Verizon One	
Affiliate Revenue	\$21,675,180.00
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Total Net Revenues	\$39,466,129.43
<b>RESELLING COSTS</b>	
Local	\$7,946,759.99
LD	\$437,922.14
Cable	\$3,097.47
Network Connectivity	\$6,203,632.29
Internet Reselling Costs	\$4,442.00
Verizon One	
Data Installs	\$4,236,604.16
Agent Commissions	\$593,155.83
Revenue Sharing	\$219,035.90
Developer Payments	\$18,346,751.40
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Total Reselling Expense	\$37,991,401.18
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Gross Margin	\$1,474,728.25
<b>General &amp; Administrative Expenses</b>	
Salaries & Wages	\$51,303,948.85
Payroll Taxes & Emp Benefits	\$9,148,848.54
Temporary Employees	\$2,076,693.71
Other Employee Costs	\$1,879,955.05
Travel & Entertainment	\$2,881,934.09
Office Rel & Office Supplies	\$1,366,234.82
Insurance	\$664,706.68
Telephone, Cellular, Pager	\$1,782,026.92
Field Operations	\$883,148.15
Bldg & Equip Rent Exp	\$13,112,988.73
Professional & Consulting	\$1,237,476.41
Legal	\$93,408.74
Marketing & Promotions	\$6,076,743.17
Systems - Recurring	\$4,195,393.87
Systems - Devlpmt	\$1,137,153.39
Other Expenses	\$20,069,790.94
Bad Debt	\$959,774.67
Affiliate Charges	\$0.00
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Total SG&A	\$118,870,226.73
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EBITDA	(\$117,395,498.48)
<b>Interest Expense</b>	\$31,728,632.47
<b>Interest Income</b>	\$76,884.86
<b>Depreciation Expense</b>	\$10,486,182.34
<b>Income Taxes</b>	(\$55,969,884.57)
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NET INCOME	(\$103,563,543.86)
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Total Operating Expenses	\$167,347,810.25

	<u>VZA</u> <u>Consolidated</u>
<b>ASSETS</b>	
Cash	(\$2,248,352)
Short-term Marketable Securities	\$3
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Cash and Cash-like Instruments	(\$2,248,349)
<b>Affiliate Receivable</b>	\$1,179,420
<b>Other Receivables</b>	\$832,985
<b>Trade Receivables</b>	\$1,421,599
<b>Allowance for Uncollectible Accounts</b>	(\$568,477)
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Accounts Receivable - Net	\$2,865,527
<b>Prepaid Expenses</b>	\$4,861,046
<b>Total Current Assets</b>	\$5,478,224
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Property, Plant & Equipment	\$103,588,494
Accumulated Depreciation	(\$16,994,944)
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Net Property, Plant & Equipment	\$86,593,550
<b>Investment in Affiliated Subs</b>	(\$1,895,371)
<b>Intangible Assets</b>	\$276,981,816
<b>Accumulated Amortization</b>	(\$14,362,639)
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Other Assets	\$10,359,697
Deposits	\$389,894
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Total Assets	\$363,545,171
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<b>Liabilities &amp; Stockholder's Equity</b>	
<b>Affiliate Payable</b>	\$4,533,001
<b>Accounts Payable</b>	\$2,034,756
<b>Taxes Payable</b>	(\$5,858,785)
<b>Debt - Current</b>	\$30,867
<b>Accrued Liabilities</b>	\$28,007,190
<b>Other Current Liabilities</b>	\$523,160
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Total Current Liabilities	\$29,270,189
<b>Long Term Debt</b>	\$564,458,507
<b>Other Deferred Obligations</b>	(\$37,549,809)
<b>Additional Paid-In Capital</b>	\$7,500,000
<b>Retained Earnings</b>	(\$96,570,049)
<b>Net Profit/(Loss)</b>	(\$103,563,544)
<b>Comprehensive Income - Unrealized Gain/Loss</b>	(\$123)
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Total Liabilities & Stockholder's Equity	\$363,545,171
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Verizon Avenue Corp  
Income Statement  
For the Six Months Ending June 30, 2003

Verizon Avenue Corp  
Balance Sheet  
For the Six Months Ending June 30, 2003

	June 2003 YTD
<b>REVENUES</b>	
Local	\$2,684,268.48
LD	823,911.07
Internet	3,888,604.26
Verizon One	
Affiliate Revenue	7,971,958.00
<b>Total Net Revenues</b>	<b>15,368,741.81</b>
<b>RESELLING COSTS</b>	
Local	2,412,644.65
LD	368,198.20
Network Connectivity	3,851,252.80
Verizon One	17,994.01
Data Installs	1,764,928.66
Agent Commissions	382,841.95
Revenue Sharing	43,174.95
Developer Payments	6,122,181.22
<b>Total Reselling Expense</b>	<b>14,963,216.44</b>
<b>Gross Margin</b>	<b>405,525.37</b>
<b>General &amp; Administrative Expenses</b>	
Salaries & Wages	28,338,413.60
Payroll Taxes & Emp Benefits	5,133,777.77
Temporary Employees	319,857.39
Other Employee Costs	596,931.56
Travel & Entertainment	1,456,462.12
Office Rel & Office Supplies	453,916.08
Insurance	369,629.18
Telephone, Cellular, Pager	798,277.07
Field Operations	377,205.50
Bldg & Equip Rent Exp	3,854,482.03
Professional & Consulting	426,257.28
Legal	24,230.05
Marketing & Promotions	723,839.72
Systems - Recurring	3,216,105.76
Systems - Devlpmt	364,391.11
Other Expenses	1,048,380.44
Bad Debt	562,758.42
Affiliate Charges	0.00
<b>Total SG&amp;A</b>	<b>48,064,915.08</b>
<b>EBITDA</b>	<b>(47,659,389.71)</b>
Interest Expense	16,122,028.65
Interest Income	2,527.75
Depreciation Expense	5,920,708.12
Income Taxes	#REF!
<b>NET INCOME</b>	<b>#REF!</b>
<b>Total Operating Expenses</b>	<b>68,948,839.64</b>

	June 2003 YTD
<b>ASSETS</b>	
Cash	\$1,151,085
Short-term Marketable Securities	
<b>Cash and Cash-like Instruments</b>	<b>1,151,085</b>
Affiliate Receivable	(2,892,602)
Other Receivables	(50,169)
Trade Receivables	(214,528)
Allowance for Uncollectible Accounts	(131,607)
<b>Accounts Receivable - Net</b>	<b>(3,288,906)</b>
Prepaid Expenses	(6,113,929)
Current Deferred Federal Tax Benefit	(15,053,335)
<b>Total Current Assets</b>	<b>(23,305,085)</b>
Property, Plant & Equipment	496,769
Accumulated Depreciation	(1,032,700)
<b>Net Property, Plant &amp; Equipment</b>	<b>(535,931)</b>
Investment in Affiliated Subs	
Intangible Assets	
Accumulated Amortization	
Other Assets	(76,988)
Deposits	
<b>Total Assets</b>	<b>(23,918,004)</b>
<b>Liabilities &amp; Stockholder's Equity</b>	
Affiliate Payable	(844,184)
Accounts Payable	441,484
Taxes Payable	(5,661,780)
Debt - Current	798
Accrued Liabilities	(717,616)
Other Current Liabilities	(3,445)
<b>Total Current Liabilities</b>	<b>(6,784,743)</b>
Long Term Debt	(6,633,451)
Other Deferred Obligations	14,925
Additional Paid-In Capital	
Retained Earnings	
Net Profit/(Loss)	(10,514,734)
Comprehensive Income - Unrealized Gain/Loss	
<b>Total Liabilities &amp; Stockholder's Equity</b>	<b>(23,918,003)</b>